



PROPOSED NEW SIGN BYLAW THIRD PARTY SIGNS

FACTS YOU SHOULD CONSIDER BEFORE SUPPORTING THE BYLAW:

- No field testing of new regulations to determine impact on industry
- Highly restrictive new rules equate to prohibition on future growth
 - Unwarranted setbacks, distancing and qualifications
- NIMBY-style approach creates unbalanced opportunities for industry
- Tax exempt City sign inventory is an unfair and possibly illegal advantage
- Sign permits expire after 5 years without clear guidelines for renewal
- No economic study of industry amortization requirements
- Bylaw based on needs of small municipality, not densely populated global city
- City Building Official given too much discretionary power

WHAT THE INDUSTRY NEEDS:

- No arbitrary expiration of sign permits
- Variance committee selected from Society of Ontario Adjudicators and Regulators
- Clearer definition of illegal and legal non-conforming signs and establishment of appropriate review and appeal process
- Embrace new technology by permitting more static digital signs
- Right to change sign attributes (ex. Paint to paper, paper to tri-vision)
- Sign distance setbacks that reflect the character of neighborhood and respect comparative revenue theory in field testing
- Elimination of excessive penalty provisions
- Increase height permissions for wall signs
- Illumination based on North American industry standards
- Eliminate "not in my neighbourhood" sign restrictions by ward
- Proper variance procedure for non-conforming signs

WHAT'S AT STAKE?

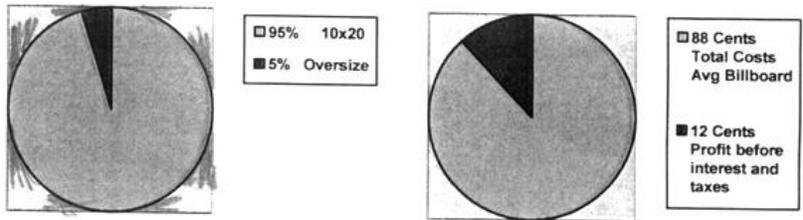
The new by-law regulations were developed without proper consultation with the industry and are based on unproven assumptions and inaccurate information. Worse, the bylaw favours City-owned outdoor advertising inventory which is not taxed or restricted which is unfair and perhaps illegal. We believe the bylaw has been developed in bad faith as a punitive measure against outdoor advertising in Toronto. The new regulations amount to an effective prohibition on the industry's growth, and will jeopardize damage our industry, rental income to private property owners, advertising options for marketers and the overall Toronto economy.

CONTACT: Rosanne Caron, President, OMAC at 416-968-3435 or rcaron@omaccanada.ca

OMAC is currently completing its own limited field testing of the new regulations through an independent third party.

FACTS YOU SHOULD CONSIDER BEFORE SUPPORTING THE TAX

- No economic rationale provided by Staff to justify new tax
- Tax assumptions based on study of only 1% of billboard inventory
- 5 year sunset on permits did not examine industry amortization costs
- Hemson suggested \$2.7 million tax, proposed by-law is \$10.4 million
- Est. \$10.4 million tax is greater than est. industry earnings of \$8.8 million
- Only \$1.8 million of tax is for cost recovery, remainder for art & beautification
- Private billboards to be taxed but not TTC, Street Furniture or City billboards creating an uneven and unfair competitive environment
- Billboard industry provides free space to charities valued at \$6 million
- Billboard industry is approx. 1% of GTA advertising space
 - We have no clout to pass on costs to customers
 - A new tax will drive ad buys towards untaxed alternatives



Total Billboard Inventory 4371 Signs	Yearly Avg. Rev. per 10 x 20 is \$9,950
94% are 4103 10 x 20 posters	Rental Costs to Landlord \$3,800
6% are super size format & digital	Non-Rental Costs** \$4,032
38% of profit from 6% of inventory	Profit before interest & tax \$2,118
Average Profit per 10 x 20 Billboard \$2,118	
Average Tax per 10 x 20 Billboard \$2,850 = 25% more than profit	

WHY THIS MATTERS

The proposed new billboard tax is a punitive tax designed to financially cripple the outdoor advertising and prohibit future growth in Toronto. It has been developed in bad faith without proper consultation with the industry and is based on inaccurate information and untested assumptions. At risk are thousands of direct and indirect jobs, rental income to private property owners, support for local charities and Toronto's reputation as a City welcoming new investment and open for business.

"The tax rates being proposed by City Staff are discriminatory, generally confiscatory and lack any sense of reality" Frank Clayton, Altus Group

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OMAC is currently compiling fully audited statements & updated COMB numbers for Council review. Above rates and costs are approximate (or typical).

* Source: Altus Group Economic Consulting, Frank Clayton and COMB data
 ** Costs include contractors, hydro, administration, maintenance, production, loan repayment, bad debt, amortization

ASSESSMENT OF ARGUMENTS

'Damage to the local economy'

- Professor David Amborski: "It appears that the tax as proposed is within the rate that has been identified in the examples of charges and taxes presented earlier, capping out at 7-8% of gross annual revenues. There was no evidence that where these charges are in effect, that there have been any significant negative economic impacts."

- 80% of Toronto (see EKOS Research Poll) Agree that government investment in arts in public spaces and other forms of city beautification improve the local economy ”
- McKinsey & Co, "for every dollar of public arts funding in a regional economy, eight dollars are generated."
- Martin Prosperity Institute, "the fact that average cities around the country have expanded their cultural expenditures by more than 4 times as much as the City of Toronto has put Toronto on the low end of competitive growth."
- The vast majority of businesses using billboards are not local, but national or global brands. It is also worthy to note that at most properties, the people operating out of the location, typically tenants - do not gain income from the billboards.

'The Tax is Excessive at 11m (let alone 18m)'

ILLEGALSIGNS.CA - The industry's more recent submission that the average yearly revenue for a 10'x20' billboard is \$9,950 is laughable. This would suggest that a typical 4-week advertising campaign would cost the advertiser only \$765.38. The true cost to rent a standard typical billboard in Toronto for 4-weeks is more like \$4000. Many signs rent for significantly more than that. In fact, this not particularly exceptional sign on Adelaide Street West earned Titan Outdoor over \$200,000 in 2008 [according to documents filed with the Ontario Superior Court](#). Furthermore, if the industry wasn't making serious profits from billboards, why would they take the risk of spending their capital to build illegal billboards everywhere, even after City Council repeatedly said you can't have the signs?

- David Amborski states that the Altus report, which OMAC has distributed to City Councillors, and which OMAC relies upon to conclude that the tax is unfair, "is not reflective of the actual third-party sign tax that is being proposed by the City." Furthermore, The Altus report "provides little empirical data, and relies almost exclusively on one source for the information used within the report."

- The economic analysis concludes that the proposed billboard tax represents "less than 7% (on average) of estimated annual gross revenue" for Toronto's billboard industry (pg.9).

- OMAC is saying they make only \$64,800,000 in total revenue from billboards. This number was reached via a self-submitted survey of members (in the context of determining a tax, i.e. antidotal evidence). If you divide that by the approximate number of billboards (4100 total in Toronto, or 3690 -- if OMAC members have 90% share) and 12 months you get \$1463 as the average rate to rent a standard billboard in Toronto for a month. This is hard to believe -- for comparison that figure roughly equals the cost of a single 1/5 page advert in NOW Magazine.

- There has been massive growth, approximately 11-19% in 2008 alone according to OMAC --- at the expense of other media.

'Charity'

It is commendable that the industry gives space to charities. However, charities will not be affected negatively. They have to pay to print and mount their billboards. Additionally that they are only given vacant billboard spaces. Also most charities use bus shelters, and other structures that are exempt from the tax, not billboards.

'Billboards should not shoulder this responsibility'

- It is an ethical argument. In many ways public space is a conversation. In any discussion it is the responsibility of the strongest and loudest voice to ensure that the smallest voices are heard.

- People don't have a choice in viewing them so should get something back. The privilege of leveraging the public sphere for commercial ends should come with the responsibility to keep them healthy.

- The majority of people do not like billboards (see both Environics and Pollara Poll) this is giving people something back for negatively affecting the look of our city.

- Looking at the ratio of TV (75% content / 25% ads) radio or even free print, they are doing virtually nothing to support enjoyable or educational content for the public. The ratio of content to advertising is with billboards worse than opposite to the norm, even using the stated industry revenues and giving at face value. In fact, it could be inferred that industry is making record profits (up 11-19% in 2008) undermining the viability of other, democratic / participative media outlets in providing "the lowest cost per

thousand impressions of any media”¹ and passing the full cost onto public spaces.
- 55 % of people are less likely to support the tax if it does not go to art. (EKOS)

‘Unfair – City Not Taxing Self’

ILLEGALSIGNS.CA - those billboards are in fact operated by OMAC members (and in the case of the City’s Street Furniture, “owned” by an OMAC member.) OMAC then wants credit for contributing \$36.8 Million in rents for the City-owned signs that they operate. In other words, a huge slice of OMAC’s inventory is not being taxed at all. Furthermore, the billboard tax should generate \$10.5 Million from private properties. This is less than 30% of the rents OMAC submits to the City for tax-free signs on city property. The tax is a mere drop in the bucket for OMAC members - it’s a less than 30% increase on what they’re already paying the City.

‘We should defer / bad process’

- More dialogue is not the objective – they have had enough (80 meetings w. Councillors in past month, 15+ meetings with city staff total) they want to send this back to be lost in the bureaucracy and waste this council’s time and the city’s money. Their objective of the industry has been to stall, muddy with bad info and subvert and slow the democratic process. - In 2005 alone, 50% more was spent on OMAC than the cost of the entire Sign Bylaw Project.² The industry has had more than ample access to the decision making process, has a dedicated industry association working for their interests along with almost unlimited resources and several lobbying firms.

Ipsos Poll

-OMAC circulated an out of context from an excerpt of a 2008 Ipsos Poll that stated that billboards are the least irritating form of advertising. This was an attempt to refute a 2005 Pollara survey: “60% of Torontonians clearly agree that their city would be more beautiful with fewer billboards – only 10% disagree,” and a 2007 Environics survey that found 8/10 of municipal voters support “the city removing billboards that violate city bylaws and implementing fines to a level that discourages future violations.” Furthermore, 7/10 of municipal voters are in support of “the city working to reduce billboards and corporate posters in general.

-There are problems with how the Ipsos Poll was used to communicate to councillors. If we view it in within context within the July Newsletter of the Canadian Marketing Association (or the original OMAC release -- likely in an attempt to motivate advertisers away from supporting other media it states:

New Study Reveals a Growing Level of Irritation and Avoidance of Advertising That Interrupts Our **Personal** Lives

- 72% of Canadians believe they are exposed to “too much” advertising.
- Television had the highest irritation level at 83%, followed by the Internet at 73%.



The problem is that they use the word **personal lives** in the title and thus the question formulation. This means the study does not apply to billboards as people do not have billboards in their personal lives. Another example of why research without full disclosure of methodology and context is highly unreliable.

Outdoor advertising is a vibrant part of Toronto’s urban culture, providing colour, light...’

-Although there may be some favourable opinions to the colour and light of areas of the city such as Dundas Square, this is the exception rather than the rule and is misleading to apply to all outdoor advertisements in general. Advertising is okay, but within moderation and in respect to the city. According to a 2005 Pollara survey: “60% of Torontonians clearly agree that their city would be more beautiful with fewer billboards – only 10% disagree.” This was closely replicated in a 2007 Environics survey that found

¹ Views per cost: http://allaboutoutdoor.com/Why_use_outdoor.html#q3

² Amount spent on OMAC in 2005: <http://www.omaccanada.ca/en/aboutus/news/news2>

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Sign permits expire after 5 years without clear guidelines for renewal

ILLEGALSIGNS.CA -The proposed signs by-law clearly states that a sign permit may be renewed after 5 years if the sign still conforms to the by-law even if another billboard is permitted within the proposed 100M separation of billboards requirement. The only way a billboard would not be able to be renewed after 5 years is if there is a re-zoning of the property or a nearby property; in which case the billboard company is entitled to extensive due process, including an appeal to the Ontario Municipal Board on each re-zoning.

By-law based on needs of small municipality, not densely populated global city

-Top cities around the world have made strides in reducing billboards. Athens removed all rooftop signs in preparation for the 2004 Olympics and Sao Paulo and Oakville have both instituted bans as well as the following entire states: Vermont, Alaska, Hawaii, and Maine – along with 700 communities in the US. The countries of Belgium, France, Italy, Netherland, Austria, Sweden and Spain all have advertising taxes with a focus on out of home adverts. London has also been a leader in reducing illegal billboards by fully integrating billboards into the UK Town and County Planning system and instituting prohibitive fines (approximately \$5000 per offence).

Demand: Elimination of excessive penalty provisions

-Actually the penalties are too low for an industry that has constantly broken the rules. A 2007 Environics survey that found 8/10 of municipal voters support "the city removing billboards that violate city bylaws and implementing fines to a level that discourages future violations."

"The tax rates being proposed by City Staff are discriminatory, generally confiscatory and lack any sense of reality" Frank Clayton, Altus Group

- Studies done based on self-submitted data (in the context of determining a tax rate) with no disclosure of research tools lack any sense of reality.

A new tax will drive ad buys towards untaxed alternatives

-Billboards are one of the only forms of advertising where the audience does not get anything, or very little in return for their attention. For example if we look at TV, you get 45 minutes of content for every 15 minutes of advertising, a newspaper or magazine – usually 50 % content / 50 % advertising. With the public sphere and billboards there is a form market of failure, people don't have a choice in viewing the messages so there is no need to support content... if anything this equalizes billboards with other forms of advertising in having built in responsibility to the public.

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-Hemson drastically undervalued the value of public spaces both to citizens and to billboard companies . There have been other reports that cited up to 56m in annual revenue based on what the city was paying per-meter for street furniture.